

NEWTON COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2012

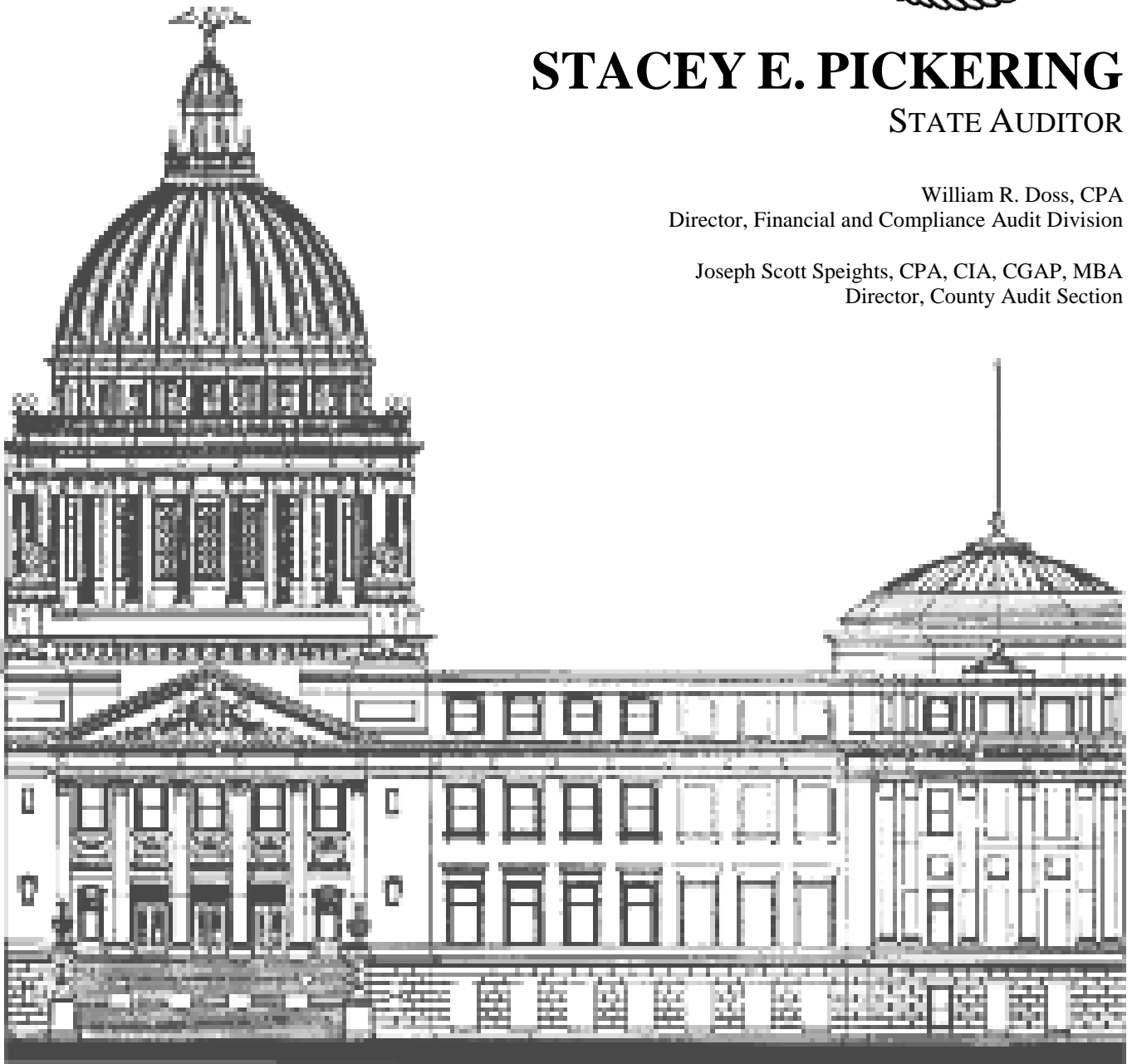


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

www.osa.state.ms.us



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

June 24, 2013

Members of the Board of Supervisors
Newton County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2012 financial and compliance audit report for Newton County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Newton County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Newton County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

NEWTON COUNTY

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NEWTON COUNTY

FINANCIAL SECTION

NEWTON COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Newton County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Newton County, Mississippi, (the County) as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error. Our responsibility is to express opinions on these financial statements based on our audit.


We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, Newton County, Mississippi prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Newton County, Mississippi, as of September 30, 2012, and the respective changes in cash basis financial position, thereof for the year then ended, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2013, on our consideration of Newton County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit provided in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise Newton County, Mississippi's basic financial statements. The Budgetary Comparison Schedule, Schedule of Interfund Loans and Advances, Schedule of Capital Assets, Schedule of Changes in Long-term Debt, Schedule of Surety Bonds for County Officials and corresponding notes are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

A handwritten signature in black ink that reads "Will R. Dooss". The signature is written in a cursive, slightly stylized font.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

June 24, 2013

NEWTON COUNTY

FINANCIAL STATEMENTS

NEWTON COUNTY

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NEWTON COUNTY
 Statement of Net Assets - Cash Basis
 September 30, 2012

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 3,070,372	352,567	3,422,939
Total Assets	<u>3,070,372</u>	<u>352,567</u>	<u>3,422,939</u>
NET ASSETS			
Restricted:			
Expendable:			
General government	195,623		195,623
Debt service	177,206		177,206
Public safety	64,179		64,179
Public works	1,117,309	352,567	1,469,876
Economic development and assistance	15,344		15,344
Culture and recreation	29,503		29,503
Unrestricted	<u>1,471,208</u>		<u>1,471,208</u>
Total Net Assets	<u>\$ 3,070,372</u>	<u>352,567</u>	<u>3,422,939</u>

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY
Statement of Activities- Cash Basis
For the Year Ended September 30, 2012

Exhibit 2

Functions/Programs	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,530,703	350,112	26,807		(2,153,784)		(2,153,784)
Public safety	2,199,152	316,919	123,950	40,999	(1,717,284)		(1,717,284)
Public works	2,487,651		648,862	179,657	(1,659,132)		(1,659,132)
Health and welfare	323,033		19,250	254,964	(48,819)		(48,819)
Culture and recreation	76,221				(76,221)		(76,221)
Education	283,672				(283,672)		(283,672)
Conservation of natural resources	142,820				(142,820)		(142,820)
Economic development and assistance	128,715				(128,715)		(128,715)
Debt service:							
Principal	2,052,230				(2,052,230)		(2,052,230)
Interest	117,751				(117,751)		(117,751)
Bond issue costs	62,284				(62,284)		(62,284)
Total Governmental Activities	<u>10,404,232</u>	<u>667,031</u>	<u>818,869</u>	<u>475,620</u>	<u>(8,442,712)</u>	<u>0</u>	<u>(8,442,712)</u>
Business-type activities:							
Solid Waste	761,180	693,573		0		(67,607)	(67,607)
Total Business-type Activities	<u>761,180</u>	<u>693,573</u>	<u>0</u>	<u>0</u>		<u>(67,607)</u>	<u>(67,607)</u>
Total Primary Government	<u>\$ 11,165,412</u>	<u>1,360,604</u>	<u>818,869</u>	<u>475,620</u>	<u>(8,442,712)</u>	<u>(67,607)</u>	<u>(8,510,319)</u>
General receipts:							
Property taxes					\$ 5,175,430		5,175,430
Road & bridge privilege taxes					242,117		242,117
Grants and contributions not restricted to specific programs					701,438	65,616	767,054
Unrestricted interest income					12,448	1,351	13,799
Miscellaneous					350,531	29,700	380,231
Proceeds from debt issuance					1,725,657	24,500	1,750,157
Sale of county property					79,186		79,186
Compensation for loss of county property					7,770		7,770
Total General Receipts and Other Cash Sources					<u>8,294,577</u>	<u>121,167</u>	<u>8,415,744</u>
Changes in Net Assets					<u>(148,135)</u>	<u>53,560</u>	<u>(94,575)</u>
Net Assets - Beginning of year					<u>3,218,507</u>	<u>299,007</u>	<u>3,517,514</u>
Net Assets - End of year					<u>\$ 3,070,372</u>	<u>352,567</u>	<u>3,422,939</u>

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY
 Statement of Cash Basis Assets and Fund Balances
 Governmental Funds
 September 30, 2012

Exhibit 3

	<u>Governmental Funds</u>		
	<u>General</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
ASSETS			
Cash	\$ 1,620,713	1,449,659	3,070,372
Total Assets	\$ <u>1,620,713</u>	<u>1,449,659</u>	<u>3,070,372</u>
FUND BALANCES			
Restricted for:			
General government	97,749	97,874	195,623
Debt service		177,206	177,206
Public safety	36,132	28,047	64,179
Public works		1,117,309	1,117,309
Economic development and assistance		15,344	15,344
Culture and recreation		29,503	29,503
Unassigned	1,486,832	(15,624)	1,471,208
Total Fund Balances	\$ <u>1,620,713</u>	<u>1,449,659</u>	<u>3,070,372</u>

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY

Exhibit 4

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances -
Governmental Funds
For the Year Ended September 30, 2012

	Governmental Funds		
	General Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS			
Property taxes	\$ 3,313,772	1,861,658	5,175,430
Road and bridge privilege taxes		242,117	242,117
Licenses, commissions and other receipts	146,010	6,270	152,280
Fines and forfeitures	222,231		222,231
Intergovernmental receipts	974,023	1,021,904	1,995,927
Charges for services	292,520		292,520
Interest income	7,973	4,475	12,448
Miscellaneous receipts	239,184	111,347	350,531
Total Receipts	5,195,713	3,247,771	8,443,484
DISBURSEMENTS			
General government	2,530,703		2,530,703
Public safety	2,015,216	183,936	2,199,152
Public works	300	2,487,351	2,487,651
Health and welfare	109,228	213,805	323,033
Culture and recreation	70,000	6,221	76,221
Education	283,672		283,672
Conservation of natural resources	142,820		142,820
Economic development and assistance	43,489	85,226	128,715
Debt service:			
Principal	105,075	1,947,155	2,052,230
Interest	7,610	110,141	117,751
Bond issue costs		62,284	62,284
Total Disbursements	5,308,113	5,096,119	10,404,232
Excess (Deficiency) of Receipts over Disbursements	(112,400)	(1,848,348)	(1,960,748)
OTHER CASH SOURCES (USES)			
Proceeds from debt issuance	100,222	1,625,435	1,725,657
Sale of county property	1,243	77,943	79,186
Compensation for loss of county property	3,799	3,971	7,770
Transfers in	92,138	148,153	240,291
Transfers out	(146,705)	(93,586)	(240,291)
Total Other Cash Sources and Uses	50,697	1,761,916	1,812,613
Excess (Deficiency) of Receipts and other Cash Sources over Disbursements and Other Cash Uses	(61,703)	(86,432)	(148,135)
Cash Basis Fund Balances - Beginning of year	1,682,416	1,536,091	3,218,507
Cash Basis Fund Balances - End of year	\$ 1,620,713	1,449,659	3,070,372

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY
 Statement of Net Assets - Cash Basis - Proprietary Fund
 September 30, 2012

Exhibit 5

		Business-type Activities - Enterprise Fund
		Solid Waste Services Fund
ASSETS		
Cash	\$	352,567
Total Assets		352,567
NET ASSETS		
Restricted for:		
Public works		352,567
Total Net Assets	\$	352,567

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY

Exhibit 6

Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets -
Proprietary Fund
For the Year Ended September 30, 2012

	Business-type Activities - Enterprise Fund
	Solid Waste Services Fund
Operating Receipts	
Charges for services	\$ 693,573
Miscellaneous	29,700
Total Operating Receipts	<u>723,273</u>
Operating Disbursements	
Personal services	375,089
Contractual services	80,395
Materials and supplies	305,696
Total Operating Disbursements	<u>761,180</u>
Operating Income (Loss)	<u>(37,907)</u>
Nonoperating Receipts (Disbursements)	
Interest income	1,351
Intergovernmental grants	65,616
Proceeds from debt	24,500
Other income (expenses)	
Net Nonoperating Revenue (Disbursements)	<u>91,467</u>
Net Income (Loss)	<u>53,560</u>
Changes in Net Assets	<u>53,560</u>
Net Assets - Beginning of year	299,007
Net Assets - End of year	\$ <u><u>352,567</u></u>

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY
Statement of Fiduciary Assets and Liabilities - Cash Basis
September 30, 2012

Exhibit 7

		Agency Funds
ASSETS		
Cash	\$	47,691
Total Assets	\$	47,691
LIABILITIES		
Amounts held in custody for others	\$	47,691

The notes to the financial statements are an integral part of this statement.

NEWTON COUNTY

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NEWTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Newton County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. The financial statements of the County are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America as established by The Governmental Auditing Standards Board. However, accounting principles generally accepted in the United States of America require Newton County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county. There are no outside organizations that should be included as component units of the County's reporting entity.

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets – Cash Basis and a Statement of Activities – Cash Basis, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental receipts and other nonexchange receipts and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Assets – Cash Basis presents the financial condition of the governmental activities and business-type activities of the county at year-end. The Government-wide Statement of Activities – Cash Basis presents a comparison between direct disbursements and program receipts for each function or program of the county's governmental activities and business-type activities. Direct disbursements are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other receipts not classified as program receipts are presented as general receipts of the county, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general receipts of the county.

NEWTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets fund equity, receipts and disbursements. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as other Governmental Funds.

C. Measurement Focus and Basis of Accounting.

The Government-wide, Governmental Funds, Proprietary Funds and Fiduciary Funds financial statements are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred. This cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual.

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

The County reports the following major Proprietary Fund:

Solid Waste Services Fund - This fund is used to account for the county's activities of disposal of solid waste within the county.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific cash sources that are restricted or committed to disbursement for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to disbursement for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the county has decided that periodic determination of receipts collected, disbursements paid and/or net income is necessary for management accountability.

NEWTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

E. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at book value. However, the county did not invest in any governmental securities during the fiscal year.

F. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in two components:

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets not meeting the definition of “restricted.”

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the county:

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if disbursements paid for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

NEWTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

When a disbursement is paid for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the county's general policy to use restricted resources first. When disbursements are paid for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the county's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

G. Property Tax Receipts.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase. All property taxes are recognized as receipts when collected.

(2) Change in Accounting Principle.

Prior to October 1, 2011 the county's financial statements were presented using the accrual basis of accounting. For the fiscal year ended September 30, 2012, the basic financial statements are prepared on a cash basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred.

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2012, was \$3,470,630, and the bank balance was \$3,674,667. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

NEWTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(4) Interfund Transfers.

The following is a summary of interfund transfers at September 30, 2012:

Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Other Governmental Funds	\$ 92,138
Other Governmental Funds	General Fund	146,705
Other Governmental Funds	Other Governmental Funds	1,448
Total		\$ 240,291

The purpose of the General Fund transfer to Other Governmental Funds was to cover expenditures paid. The purpose of the Other Governmental Funds transfers to General Fund and to Other Governmental Funds were to close out those funds.

(5) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2012, to January 1, 2013. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(6) Deficit Fund Balances of Individual Funds.

At September 30, 2012, the County Road Project Fund had a deficit fund balance of \$15,624.

(7) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the disbursements of resources for allowable purposes. The county may be responsible for any disallowances.

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

NEWTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(8) Joint Ventures.

The County participates in the following joint venture:

Newton County is a participant with Kemper County in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Kemper-Newton Regional Library System. The joint venture was created to provide free public library service to the citizens of the respective counties. The Newton County Board of Supervisors alternately appoints two or three of the five members of the board of directors. By contractual agreement, the county's appropriation to the joint venture was \$70,000 in fiscal year 2012. Complete financial statements for the Kemper-Newton Regional Library System can be obtained from 101 Peachtree Street, Union, MS 39365.

(9) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Mid-Mississippi Development District operates in a district composed of the Counties of Clarke, Jasper, Lauderdale, Newton, Scott and Smith. The district was organized to foster, encourage and facilitate economic development in the member counties. The district's board of trustees is composed of 30 members, five each from the six-member counties. The county appropriated \$30,300 for support of the district in fiscal year 2012.

East Central Mississippi Planning and Development District operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Newton County Board of Supervisors appoints one of the 15 members of the board of directors. The county appropriated \$13,189 for support of the district in fiscal year 2012.

Region Ten Mental Health-Mental Retardation Commission operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Newton County Board of Supervisors appoints one of the nine members of the board of commissioners. The county appropriated \$29,500 for support of the commission in fiscal year 2012.

The Multi-County Community Service Agency operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Newton and Wayne. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Newton County Board of Supervisors appoints one of the 24 members of the board of directors. Most of the funding for the entity is derived from federal funds. The county appropriated \$6,000 for support of the agency in the fiscal year 2012.

East Central Community College operates in a district composed of the Counties of Leake, Neshoba, Newton, Scott and Winston. The Newton County Board of Supervisors appoints one of the 30 members of the college board of trustees. The county appropriated \$390,240 for maintenance and support of the college in fiscal year 2012.

(10) Defined Benefit Pension Plan.

Plan Description. Newton County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2012, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2012 was 14.26% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2012, 2011 and 2010 were \$345,464, \$315,936 and \$332,387, respectively, equal to the required contributions for each year.

NEWTON COUNTY

OTHER INFORMATION

NEWTON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2012
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 3,215,834	3,313,772	3,313,772	0
Licenses, commissions and other receipts	178,550	146,010	146,010	0
Fines and forfeitures	244,000	222,231	222,231	0
Intergovernmental receipts	904,600	974,991	974,023	(968)
Charges for services	233,500	292,520	292,520	0
Interest income	19,662	7,973	7,973	0
Miscellaneous receipts	190,300	239,184	239,184	0
Total Receipts	<u>4,986,446</u>	<u>5,196,681</u>	<u>5,195,713</u>	<u>(968)</u>
DISBURSEMENTS				
Current:				
General government	2,625,796	2,530,703	2,530,703	0
Public safety	1,935,697	2,015,216	2,015,216	0
Public works	300	300	300	0
Health and welfare	111,015	109,228	109,228	0
Culture and recreation	71,000	70,000	70,000	0
Education	254,400	283,672	283,672	0
Conservation of natural resources	147,629	142,820	142,820	0
Economic development and assistance	43,989	43,489	43,489	0
Debt service:				
Principal		105,075	105,075	0
Interest		7,610	7,610	0
Bond issue costs				0
Total Disbursements	<u>5,189,826</u>	<u>5,308,113</u>	<u>5,308,113</u>	<u>0</u>
Excess of Receipts over (under) Disbursements	<u>(203,380)</u>	<u>(111,432)</u>	<u>(112,400)</u>	<u>(968)</u>
OTHER CASH SOURCES (USES)				
Proceeds from debt	0	100,222	100,222	0
Refunding bonds issued	0			0
Sale of county property	3,500	1,243	1,243	0
Premiums on bonds issued	0	0		0
Compensation for loss of county property	0	3,799	3,799	0
Transfers in	207,469	92,138	92,138	0
Transfers out	0	(146,705)	(146,705)	0
Total Other cASH Sources and Uses	<u>210,969</u>	<u>50,697</u>	<u>50,697</u>	<u>0</u>
Net Change in Fund Balance	7,589	(60,735)	(61,703)	(968)
Fund Balances - Beginning	<u>1,698,892</u>	<u>1,698,892</u>	<u>1,682,416</u>	<u>(16,476)</u>
Fund Balances - Ending	<u>\$ 1,706,481</u>	<u>1,638,157</u>	<u>1,620,713</u>	<u>(17,444)</u>

The accompanying notes to the Other Information are an integral part of this statement.

NEWTON COUNTY
 Schedule of Interfund Loans and Advances
 For the Year Ended September 30, 2012
 UNAUDITED

The following is a summary of interfund balances at September 30, 2012:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>		<u>Balance at Sept. 30, 2012</u>
General Fund	Solid Waste Fund	\$	22,741
Other Governmental Funds	Other Governmental Funds		<u>34,867</u>
Total		\$	<u><u>57,608</u></u>

The General Fund receivables represent indirect costs in Solid Waste. The Other Governmental Funds receivables are to provide funds for bond payments in the amount of \$14,951 and to repay an advance payment that was made from the wrong fund in the amount of \$19,916. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>		<u>Balance at Sept. 30, 2012</u>
Other Governmental Funds	Other Governmental Funds	\$	306,020
Enterprise Fund	Other Governmental Funds		<u>10,500</u>
Total		\$	<u><u>316,520</u></u>

Advances were made from Other Governmental Funds to Other Governmental Funds and Enterprise Fund for operating purposes.

NEWTON COUNTY
 Schedule of Capital Assets
 For the Year Ended September 30, 2012
 UNAUDITED

Governmental activities:

	Balance Oct. 1, 2011	Additions	Deletions	*Adjustments	Balance Sept. 30, 2012
Land	\$ 285,503			(36,005)	249,498
Infrastructure	1,153,854				1,153,854
Buildings	4,847,590	250,000			5,097,590
Mobile equipment	5,462,310	119,092	92,232	373,429	5,862,599
Furniture and equipment	978,748	48,829	39,925	(64,638)	923,014
Leased property under capital leases	2,224,213	133,779	0	(373,429)	1,984,563
Total capital assets	\$ 14,952,218	551,700	132,157	(100,643)	15,271,118

Notes:

- * The adjustment to land was made for property that was listed as Governemental Activities in the prior year audit, but should have been listed under Business type activities during the current year.
- * The adjustment from leased property to mobile equipment was to account for capital leases paid off during the fiscal year 2012 audit.
- * The adjustment to furniture and equipment was made due to adding amounts below the capitalization threshold to schedule per Inventory Control Clerk and removing an old IBM computer system for the county that made the net effect of the transactions a negative.

Business Type Activities

	Balance Oct. 1, 2011	Additions	Deletions	*Adjustments	Balance Sept. 30, 2012
Land	\$ 66,000			36,005	102,005
Buildings	49,995				49,995
Mobile equipment	1,002,017	113,854	38,998		1,076,873
Furniture and equipment	156,105	1,817	63,600	(11,440)	82,882
Leased property under capital leases	0	24,500	0	0	24,500
Total capital assets	\$ 1,274,117	140,171	102,598	24,565	1,336,255

Notes:

- * The adjustment to land was made for property that was listed as Governemental Activities in the prior year audit, but should have been listed under Business type activities during the current year.

NEWTON COUNTY
 Schedule of Changes in Long-term Debt
 For the Year Ended September 30, 2012
 UNAUDITED

The following is a summary of changes in long-term debt for the year ended September 30, 2012:

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance Oct. 1, 2011	Issued	Principal Paid	Balance Sept. 30, 2012
Governmental Activities:							
A. General Obligation Bonds:							
Jail construction bond	11/2001	03/2012	4.00% to 5.70 %	1,655,000	-	1,655,000	-
G.O. Refunding Bond	03/2012	11/2021	2.43%	-	1,615,000	-	1,615,000
District 4 road & bridge bonds 2009	11/2008	10/2023	3.80%	437,000	-	28,000	409,000
District 1 road & bridge bonds 2009	11/2009	11/2024	3.90%	380,000	-	20,000	360,000
B. Capital Leases:							
2008 Dodge Charger	10/2008	10/2011	3.29%	737	-	737	-
911 Equipment	12/2009	12/2014	3.23%	198,754	-	58,951	139,803
2009 Dodge Charger	01/2009	01/2012	3.34%	2,532	-	2,532	-
2009 Dodge Charger	09/2009	10/2012	3.10%	9,466	-	8,726	740
Radios	02/2010	02/2013	3.24%	24,247	-	17,000	7,247
2009 Dodge Charger	09/2009	10/2012	3.10%	9,466	-	8,726	740
2011 Dodge Charger	12/2011	12/2014	2.33%	-	25,150	6,124	19,026
2012 Dodge Charger	06/2012	06/2015	1.89%	-	28,066	2,279	25,787
2012 Ambulance	06/2012	06/2017	1.65%	-	57,441	-	57,441
District 1 Cat 12h motor grader	06/2009	06/2016	3.65%	94,376	-	18,534	75,842
District 1 2007 Mack dump trucks	05/2007	05/2012	3.96%	14,293	-	14,293	-
District 1 2008 Ford F150 pickup	05/2008	05/2013	6.09%	5,097	-	2,996	2,101
District 2 Kubota tractor	04/2010	04/2015	3.37%	33,943	-	33,943	-
District 3 2007 Mack truck	05/2010	05/2015	3.25%	33,778	-	8,814	24,964
District 3 Cat 12h motor grader	06/2009	06/2016	3.65%	94,376	-	18,534	75,842
District 3 Cat 320dl excavator	07/2009	08/2014	3.39%	115,524	-	19,049	96,475
District 3 416d rubber tire backhoe	07/2009	08/2012	3.30%	7,408	-	7,408	-
District 3 2008 Chevy C1500 pickup	07/2008	07/2013	3.45%	7,659	-	4,118	3,541
District 4 Cat 12h motor grader	06/2011	06/2016	2.86%	108,417	-	21,618	86,799
District 4 2004 Cat 320cl excavator	07/2009	07/2014	3.59%	43,849	-	14,970	28,879
District 4 2004 Cat 416d backhoe	07/2009	07/2014	3.59%	13,773	-	4,702	9,071
District 4 2007 Mack dump truck	03/2008	03/2018	4.35%	59,824	-	8,141	51,683
District 4 2007 Mack dump truck	03/2008	04/2013	3.69%	56,408	-	8,943	47,465
District 5 Cat motor grader	07/2009	08/2014	3.39%	152,205	-	19,658	132,547
District 5 2007 Mack dump truck	05/2007	05/2012	3.96%	14,293	-	14,293	-

NEWTON COUNTY
 Schedule of Changes in Long-term Debt
 For the Year Ended September 30, 2012
 UNAUDITED

The following is a summary of changes in long-term debt for the year ended September 30, 2012:

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance Oct. 1, 2011	Issued	Principal Paid	Balance Sept. 30, 2012
C. Other Loans:							
State of Mississippi CAP Loan	10/2006	11/2018	2.00%	184,161	-	24,141	160,020
Total				\$ 3,756,586	1,725,657	2,052,230	3,430,013
Business-type Activities:							
A. Capital Leases:							
New scale system	09/2012	10/2015	1.77%	-	24,500	-	24,500
Total				\$ -	24,500	-	24,500

The accompanying notes to the Other Information are an integral part of this statement.

NEWTON COUNTY
 Schedule of Surety Bonds for County Officials
 For the Year Ended September 30, 2012
 UNAUDITED

Name	Position	Company	Bond
Kenneth Harris	Supervisor District 1	Western Surety Company	\$100,000
Joe Alexander	Supervisor District 2	Travelers Casualty & Surety of America	\$100,000
Charles Moulds	Supervisor District 3	Travelers Casualty & Surety of America	\$100,000
Luther M. (Bubba) Bonds	Supervisor District 4	Travelers Casualty & Surety of America	\$100,000
Jimmy Johnson	Supervisor District 5	Travelers Casualty & Surety of America	\$100,000
Steve Seale	County Administrator	Travelers Casualty & Surety of America	\$100,000
George Hayes	Chancery Clerk	Travelers Casualty & Surety of America	\$100,000
Stephanie McMullan	Purchase Clerk	Brierfield Insurance Company	\$75,000
Pam Upton	Assistant Purchase Clerk	Brierfield Insurance Company	\$50,000
Deborah Parker	Receiving Clerk	Brierfield Insurance Company	\$75,000
George Hayes	Inventory Control Clerk	Brierfield Insurance Company	\$75,000
Mark Spence	Constable	Travelers Casualty & Surety of America	\$50,000
William D. Collins	Constable	Travelers Casualty & Surety of America	\$50,000
Michael Butler	Circuit Clerk	Travelers Casualty & Surety of America	\$100,000
Donna Hutchins	Deputy Circuit Clerk	Brierfield Insurance Company	\$50,000
Vickie Robinson	Deputy Circuit Clerk	Travelers Casualty & Surety of America	\$50,000
Jackie Knight	Sheriff	Travelers Casualty & Surety of America	\$100,000
Oscar Greg Morgan	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Sammy R. Stevens	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Lowell Shinn	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Cecil Gressett	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Benjamin Kelly	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Peter Pierman	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Jeremy Pinson	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Kris Edward Hollingsworth	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Brian L. Kelly	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Randy L. Patrick	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Mark A. Spence	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Joedy Pennington	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Jan Addy	Justice Court Judge	Travelers Casualty & Surety of America	\$50,000
Mark McDonald	Justice Court Judge	Travelers Casualty & Surety of America	\$50,000
Sue Graham	Justice Court Clerk	Brierfield Insurance Company	\$50,000
Lolita Jordan	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
May Bender	Tax Collector	Travelers Casualty & Surety of America	\$100,000
Cindy Horton	Solid Waste Clerk	Travelers Casualty & Surety of America	\$50,000

NEWTON COUNTY

Notes to the Other Information For the Year Ended September 30, 2012 UNAUDITED

(1) Budgetary Comparison Information.

A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of receipt, each general item of disbursement, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary and variances between the final budget and the actual amounts. The schedule is presented for the General Fund.

(2) Long-term Debt information:

- A. Legal Debt Margin - The amount of debt, excluding specific exempted debt, which can be incurred by the County, is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2012, the amount of outstanding debt was equal to 2.20% of the latest property assessments.

NEWTON COUNTY

Notes to the Other Information For the Year Ended September 30, 2012 UNAUDITED

B. Subsequent Events.

Subsequent to September 30, 2012, the County issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
10/01/2012	1.90/2.70%	\$ 600,000.00	G. O. Refunding Bond	Ad Valorem Taxes
10/30/2012	1.74%	24,769.00	Lease Purchase	Ad Valorem Taxes
11/20/2012	1.71%	27,200.00	Lease Purchase	Ad Valorem Taxes
02/22/2013	1.80%	21,119.60	Lease Purchase	Ad Valorem Taxes
02/26/2013	1.49%	43,650.16	Refinance	Ad Valorem Taxes
02/26/2013	1.49%	77,625.00	Refinance	Ad Valorem Taxes
02/26/2013	1.49%	91,628.48	Refinance	Ad Valorem Taxes
02/26/2013	1.49%	67,935.82	Refinance	Ad Valorem Taxes
02/26/2013	1.49%	67,935.82	Refinance	Ad Valorem Taxes
02/26/2013	1.49%	151,875.91	Refinance	Ad Valorem Taxes
02/26/2013	1.49%	114,694.92	Refinance	Ad Valorem Taxes
03/07/2013	1.49%	42,896.00	Lease Purchase	Ad Valorem Taxes
03/11/2013	1.49%	18,545.00	Refinance	Ad Valorem Taxes
04/04/2013	1.49%	91,768.00	Lease Purchase	Ad Valorem Taxes
04/10/2013	1.49%	101,820.00	Lease Purchase	Ad Valorem Taxes

NEWTON COUNTY

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NEWTON COUNTY

SPECIAL REPORTS

NEWTON COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Newton County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Newton County, Mississippi, (the County) as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 24, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Newton County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 12-1 to be a material weakness.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 12-2 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Newton County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as item 12-1.

We also noted certain immaterial instances of noncompliance which we have reported to the management of Newton County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated June 24, 2013, included within this document.

Newton County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Newton County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited

A handwritten signature in black ink, appearing to read "Will R. Dooss", with a stylized flourish at the end.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

June 24, 2013



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Newton County, Mississippi

We have examined Newton County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2012. The Board of Supervisors of Newton County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Newton County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

Inventory Clerk.

1. Controls over capital assets should be strengthened.

Finding

An effective system of internal control over capital assets ensures that capital assets are reported in the proper categories at the correct amounts. As reported in the prior three years' audit reports, weak internal controls existed over capital assets. We noted the following deficiencies:

- a) Freightliner Garbage Truck (Asset #340-1067) was added in fiscal year 2011 to inventory. It was added again in fiscal year 2012 as asset #340-5023, both times in the amount of \$116,100.
- b) Assets #112-CASO and #112-SCAL in the aggregate amounts of \$63,600 should have been removed from the asset listing in fiscal year 2012 and the New Scale System for solid waste should have been added in their place as a lease purchase in the amount of \$24,500.
- c) IBM System (asset #105-700) in the amount of \$95,184 was included on the fiscal year 2012 inventory, however it should have been removed in the prior year when it was traded in on the new system (asset #105-5003). Trade-in was included on bid specs for purchase price of new computer system.
- d) Beginning balances on listing provided by the Inventory Clerk for Governmental Activities did not agree to the prior year ending amounts included in the audit report.

Recommendation

The Inventory Control Clerk should ensure that all capital asset additions and deletions are properly managed each year.

Inventory Clerk's Response

- a) Asset # 340-5023 is not on 2011, 2012, or 2013 inventory of solid waste. 2012 Freightliner (0086-340-1067) purchased in August 2011 at cost of \$116,100 has been on the report since that date. I do not see any additions or deletions in that amount.
- b) Cardinal scales were purchased in September 1993 for \$31,300 and Scales/ Monitors were purchased in September 2000 for purchase price of \$32,300. In 2012, an upgrade was made in the amount of \$24,500. The lode cells on the scale were advertised as surplus property and finally sold as scrap metal. The base scales are still intact. They have been there for 13 years. On advice of auditors, I have deleted 112-CASC and 112-SCAL and replaced them with the New Scale System (340-5027).
- c) IBM system (asset #105-700 purchased at \$95,184) was traded in on new system (asset #105-5003 purchased at \$51,769). I did not know the system had been traded in. I have removed asset #105-700 from inventory.
- d) I tried to match last year's report. I thought it was really close. I will attempt to fix problem for next year.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Newton County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2012.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Newton County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

This report is intended for use in evaluating the central purchasing system and inventory control system of Newton County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

June 24, 2013

NEWTON COUNTY

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2012

Schedule 1

Date	Item Purchased	Bid Accepted	Vendor	Lowest Bid	Reason for Accepting Other Than the Lowest Bid
1/24/2012	Grader blades for 12H motor grader	\$ 59.76	Puckett	\$ 49.76	The grader blades from Puckett were made of a higher grade of steel and will last 20% longer than the low bid's blades. Also, Puckett is located about 30 miles closer.
1/24/2012	Grader blades for 12M motor grader	\$ 76.65	Puckett	\$ 68.53	The grader blades from Puckett were made of a higher grade of steel and will last 20% longer than the low bid's blades. Also, Puckett is located about 30 miles closer.
1/24/2012	#7 Limestone	\$ 29.50 per ton	John E. Smith	\$ 25.50 per ton	Lowest bid is too dusty per BOS
1/24/2012	Washed Gravel	\$ 16.50 per ton	Johnston's Sand and Gravel	\$ 12.00 per ton	Lower mileage for delivery
1/24/2012	Clay Gravel	\$ 4.25 per yard	Red Hill	\$ 3.25 per yard	Lowest bid is too sandy per BOS

NEWTON COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2012

Schedule 2

Our test results did not identify any emergency purchases.

NEWTON COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2012

Our test results did not identify any purchases made noncompetitively from a sole source.

NEWTON COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Newton County, Mississippi

In planning and performing our audit of the financial statements of Newton County, Mississippi for the year ended September 30, 2012, we considered Newton County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Newton County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated June 24, 2013, on the financial statements of Newton County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Dooss".

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

June 24, 2013

NEWTON COUNTY

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NEWTON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

NEWTON COUNTY

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NEWTON COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2012

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|-------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Internal control over financial reporting: | |
| a. | Material weakness identified? | Yes |
| b. | Significant deficiency identified? | Yes |
| 3. | Noncompliance material to the financial statements noted? | Yes |

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

Material Non-compliance

- 12-1. Warrants should not be signed without sufficient money in the fund.

Finding

Section 19-13-43, Miss. Code. Ann. (1972), prohibits the signing of warrants or the delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same. As reported in the prior four years' audit reports, warrants were issued on funds which did not have sufficient money available. At September 30, 2012, the Countywide Road Fund had a negative cash balance of \$15,624. Failure to maintain sufficient cash balances in county funds prior to writing checks on these funds results in other funds' cash being used for purposes other than their intended purpose.

Recommendation

The County Administrator should ensure that no warrants are signed or delivered until there is sufficient money in the fund upon which it is drawn to pay the same, as required by law.

Board of Supervisors' Response

The Countywide Road fund is at a deficit balance because of a disagreement over liquid emulsions used in Beat two. There is also a timing difference in when the county bills the cities for liquid emulsions and when the cities pay the county.

NEWTON COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2012

Tax Collector.

Significant deficiency

12-2. Controls over cash collections and disbursements in the Tax Collector's Office should be strengthened.

Finding

An effective system of internal controls should include an adequate segregation of duties. The cash collections and disbursement functions in the Tax Collector's Office were not adequately segregated for effective internal controls. During testwork performed in the Tax Collector's Office the following instances were noted:

- a) The Tax Collector reconciles cash collections and receipts, prepares combined daily check-up sheets, posts to the cash journal, reconciles the bank statements, prepares settlement reports, and writes checks for all disbursements.
- b) Two receipts tested during the receipt test for automobile collections did not have a VIN # or make/model of the car listed.
- c) There was an overage noted in the Tax Office of \$1,060.67 based on the cash count performed on December 20, 2012.
- d) There were 17 instances noted during extended receipts test revealing incorrect tax districts for the addresses listed and eight instances noted of people getting their tags from an address other than where they claim homestead.

Improper segregation of duties as well as missing or incorrect information on taxpayer receipts could lead to loss of public funds.

Recommendation

The Tax Collector should take steps to ensure that there are adequate segregation of duties in the collection and disbursement functions of the Tax Collector's Office as well as ensure that there are proper controls put into place for all vehicle information to be listed properly on receipts to tax payers.

Tax Collector's Response

This office is willing to take any recommendation on any problems that we have. Please let me know and we will put them into action because this office is doing just what we have always done. We have made no changes to any of our procedures.

Auditor's Note:

The Tax Collector's office does not have proper segregation of duties and the results from our testwork for the Tax Collector's office revealed the problems noted.